VEGINSIGHTS

monthly vegetable market insights

A VIDP initiative

February ***2011***

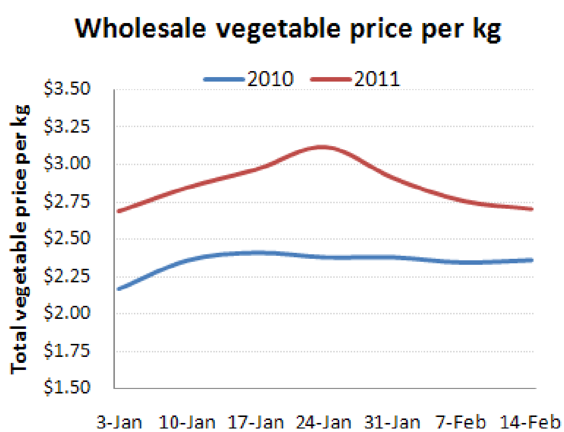
Highlights

- **Wholesale vegetable prices – the weather impact**
- **Consumer sentiment edges up in February**
- **Heart-shaped cucumbers for Valentine's Day**
- **Category Focus: Sweet corn**

Vegetable market

Wholesale vegetable prices – The ongoing impact of the adverse weather continued to influence vegetable supply and resulting wholesale prices of many vegetable products.

Given the availability of historical data, a clearer profile of wholesale price impact can be provided with an analysis of the gap between Jan-Feb 2010 and Jan-Feb 2011. This is profiled in the adjacent chart and shows the total vegetable price per kg increase on last year is **<u>21.9%</u>** for the first seven weeks in 2011. This increase appears to have peaked in the week commencing 24 Jan and has been declining since.



There are varying impacts across the product categories, with seasonings and salad components having increased by 27-33% in Jan-Feb over the same period last year. In comparison, the increase in the soft cooked and hard cooked veg over the previous year was lower at 11% and 12%. At a product level, the most significant increases were with pumpkins, peas, zucchinis, onions, ginger, lettuce, tomatoes, and capsicums. There were wholesale price decreases for broccoli and beans in the Jan-Feb period.

The weighted total vegetable price per kg for the week ending 14 February was $2.71. This closing price was 0.34c per kg or 15% higher than the same week in the previous year.

The Australian food market

Retail sales lower than expected – Australian consumers remained cautious throughout the December holiday sales period, with retail companies cutting back full-year forecasts and predicting that the sluggish spending would continue in the beginning of the year.

According to the Australian Bureau of Statistics, retail sales in December 10 rose a less-than-expected 0.2% versus expectations of a 0.5% rise in sales, taking the annual rise to 2.1%. Department stores were hard hit, falling 1.2% seasonally adjusted, while food retailing and other retailing dropped 0.5% and 0.8%, respectively. However, food retailers Woolworths and Coles have still earned gains in food and liquor sales by 3.5% and 6.7% for the first half of the financial year.

→ ***What it means?*** *As cautious consumers save their discretionary dollars for staples and less expensive food choices, food retailers will be drawn into greater competition with other retailers and foodservice channels.*

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Costco sales in Australia surpass US store figures – US discount warehouse concept Costco's first Australian store at Melbourne's Docklands is reported to have achieved sales of $165.9 million in its full year of trading, well ahead of the US average of $145 million. The store's positive performance has led to a further $40 million investment in Australia by Costco and a confirmation of its third Australian store to be soon constructed in Canberra. Costco's Australian membership has now surpasses 100,000.

→ ***What it means?*** *The Costco offer has found support, albeit in favourable market conditions and this has provided the confidence for further investment.*

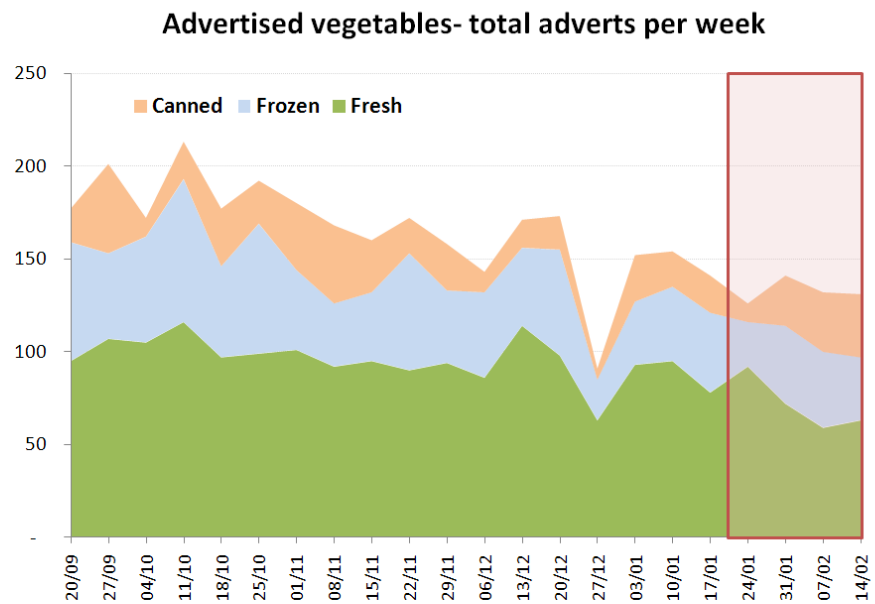
Retailer activity

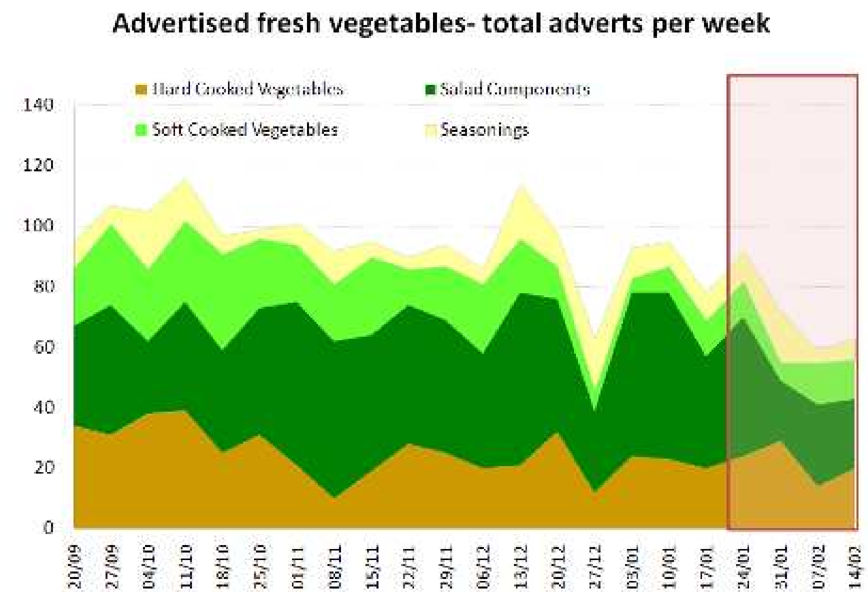
Promotional activity in the month of January – The retail promotional activity reflects a pattern of restored exposure for vegetables that was halted by the supply uncertainty in the week commencing 17th Jan.

Over the last four weeks, the exposure of fresh products reduced from an average of 133 products per week. The change in exposure has been driven by the reduced exposure of fresh vegetable products in weeks 2 and 3, when the total fresh product adverts reduced.

In comparison, the volumes of canned and frozen product adverts increased in weeks 2 and 3, but frozen declined in week 4 when fresh volumes lifted.

The exposure for fresh vegetables reflected a sharp decline in the levels of exposure for salad components and soft cooked vegetables in week 2 and for hard cooked vegetables and seasonings in week 3. But with the exception of salad components, all the other three categories lifted back to the levels of week 1 in week 4.





Safeway (US) launches shelf tags to help with healthy choices - Safeway supermarkets launched a new nationwide nutrition labelling initiative SimpleNutrition program – an in-store shelf tag system – that will help shoppers to find the right nutrition choices for themselves.

Launched at its 1,702 North American stores and featuring on thousands of items, SimpleNutrition makes it easy to fund nutritionally better items in store with green shelf tags that highlight up to 2 of the 22 different nutrition and ingredient benefits such as gluten free, organic, sodium smart, or made with whole grains.

This follows the retailer's recent nationwide survey of more than 1,500 moms, which found that 36% of them are cautious about the claims made on packaging, while 41% said that not having time to read all nutrition labels in store is a challenge they face when trying to make informed nutrition choices.

→ ***What it means?*** *Mainstream retailers are taking steps to meet and exploit demand for healthier lifestyle through the food they offer.*

What is the future of convenience? – The fact that major UK retailers only account for about 4000 of the 48,000 stores operating in the country's fast-growing convenience sector is driving the leading players to build a presence in this channel. According to IGD data, the convenience channel increased in value by 6.3% in the 12 months to the end of May and now accounts for about 20.9% of the total UK grocery market, growing at a faster pace than the overall market.

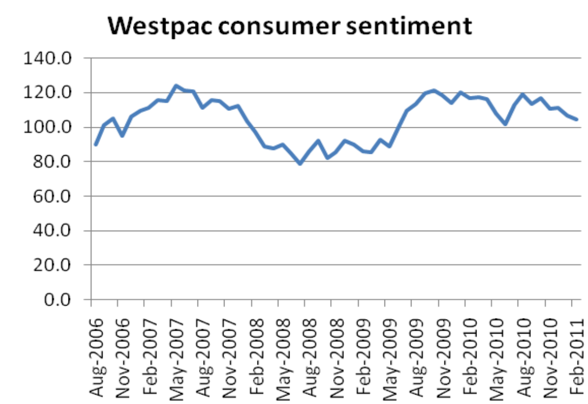
Capitalising on this trend of the growing channel, Tesco, Sainsbury's, Asda, Waitrose, and Morrisons have joined in strengthening their convenience network. Tesco's Express and One Stop formats now account for 66% of the retailer's total UK store estate, while Waitrose has begun testing a new banner called "Little Waitrose" and has announced that it will be opening some 28 convenience stores this year, more than trebling its current 13-strong convenience store estate.

Convenience channel growth is partly led by changing consumer lifestyles, including more top-up shopping and the rise in single occupancy households, driving convenience shopping, meal-solutions and food-to-go.

→ ***What it means?*** *As demographics and lifestyle trends impact how consumers manage their food, mainstream retailers are responding with store formats and shopping experiences that suit the higher shopping frequency of smaller households.*

The consumer

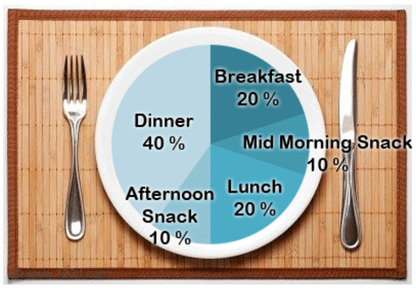
Consumer sentiment edges up in February – The Westpac-Melbourne Institute of Consumer Sentiment index rose by 1.9% to 106.6 points from 104.6 points in January when the index fell 5.7% amid peak flooding in Queensland. The recovery could have been on the back of a rate pause by the Reserve Bank of Australia due to declining unemplyment rate, lower inflation (compared with its peak in 2008) and a more cautious consumer sentiment.



Four of the five components of the index increased in February. The index measuring assessments of family finances fell 4.4% from January, though the index measuring expectations for finances over the next 12 months rose 1.4%. The outlook for economic conditions over the next 12 months rose by 1.1% and the five-year outlook was up by 10.2%. Lastly, the index of whether it is a good time to buy a major household item was up by 0.8%.

→ ***What it means?*** *The correlation between interest rates and consumer sentiment appear aligned. Consumers are also informed and quick to let this knowledge guide their spending.*

'Healthy Eating, Made Easy' with new DIG campaign – A new consumer education campaign Healthy Eating, Made Easy for Daily Intake Guide (DIG) front-of-pack food labelling has been launched by the Australian Food and Grocery Council. The easy-to-follow tool gives people information to formulate a daily eating plan according to their individual needs and activity levels. DIG front-of-pack labels outline the amount of energy, fat, saturated fat, sugar and salt in a standard portion of the food and how that translates to average daily intake.



The DIG also shows the consumer how to distribute your energy intake over a day, based on 3 meals plus 2 smaller in-between meal snacks. Industry research shows that DIG labels currently appears on more than 4000 food and beverage products. For more information on DIG, go to www.mydailyintake.net

→ ***What it means?*** *An important move by the food industry that could streamline the myriad of labelling messages and make it easier for consumers to use the nutrition information.*

Aussies lukewarm on junk food tax – A recent poll conducted on more than 500 adult Victorians and published in the Health Promotion International has showed that while 90% Australians want more farmers' markets and 95% clearer country-of-origin labelling on fresh produce, they are lukewarm on a junk food tax.

Flagged initiatives that received strong majority support also include monitoring activities of large retailers to ensure fruit and vegetables are competitively prices (90%), spending more money on subsidies to keep the cost of fruit and vegetables down (84%), creating more small farms or community gardens in residential areas (80%), and providing facilities for growing fruit and vegetables (78%).

→ ***What it means?*** *Consumers will support investing to lift fruit & veg sales but don't seem to warm to taxing of what some consider to be unhealthy foods.*

2010 Dietary Guidelines recommend half a plate of fruits, vegetables – The recently released 2010 Dietary Guidelines for Americans has provided a visual message to consumers, recommending consumers to make half their plate fruits and vegetables, in a bid to encourage healthier eating habits across the country. This is based on the research conducted by the National Cancer Institute in late 2004 which revealed that half a plate message was the most effective way to communicate the amount of fruits and vegetables Americans should eat.

→ ***What it means?*** *This confirms an important part of how to communicate diet and nutritional food guidelines effectively to consumers.*

Processed food in childhood may stunt IQ – New research published in the Journal of Epidemiology and Community Health has revealed that a diet high in fats, sugars, and processed foods in early childhood may lower IQ, while a diet of vitamins and nutrients may do the opposite. Researchers compared 4000 British children's eating patterns from ages 3 to 8.5 to their IQ at age 8.5, taking the participants in the Avon Longitudinal Study of Parents and Children (ALSPAC) which is tracking the long-term health and wellbeing of around 14,000 children born in 1991 and 1992.

Parents completed questionnaires, detailing the types and frequency of the food and drink their children consumed when they were 3, 4, 7, and 8.5 years old.

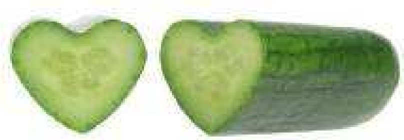
The study identified 3 dietary patterns: “processed” high in fats and sugar intake; “traditional” high in meat and vegetable intake; and “health conscious” high in salad, fruit and vegetables, rice and pasta. Scores were calculated for each pattern for each child, which showed that even after accounting for other factors, a processed diet at age 3 was associated with a lower IQ, even if the child’s diet improved afterwards.

→ ***What it means?*** *A scientific finding that links food with early cognitive development and stresses the implications of providing nutrient balanced food to children.*

Healthy lunches for thousands of Chicago students – United Fresh Produce Association Foundation and Chiquita Brands International, Inc. – in collaboration with Chicago Public Schools – will be providing 10 salad bars as part of Let’s Move Salad Bars to School’s initiative. This initiative is designed to provide a wider variety and larger servings of fruits and vegetables, increased whole grains and lower sodium, to students. With more than 410,000 students in more than 670 schools, Chicago Public Schools is the nation’s third-largest school system.

→ ***What it means?*** *Effort to establish better eating habits among children has extended to reach them eating lunch at school. This consumption occasion is the frontier of influence driving change in many global programs that are seeking to influence children’s diets.*

Innovation from the world



Heart-shaped cucumbers for Valentine’s Day – UK supermarket Sainsbury’s launched innovative heart-shaped cucumbers that it had grown especially for Valentine’s Day. Smaller and sweeter than a standard cucumber, these cucumbers have been grown in a heart-shaped mould for 10 days to attain their unique shape. Sainsbury’s will be harvesting a limited number this year, with plans to grow other seasonal options this year, including a star-shaped cucumber for summer salads and was deliberating on possible shapes for Christmas. The heart-shaped cucumbers are priced at £1 for half portion compared to the usual 40p.

Heart and star-shaped cucumbers have been available in Japan for four years and are sold in upmarket supermarkets.

→ ***What it means****? A seasonal shaped product innovation that seeks to earn a price premium on account of its unique shape tailored to a special occasion.*

New cucumber variety targets snack market – A new cucumber CuteCumbers has been launched by Ontario-based greenhouse vegetable producer Mucci Farms, as part of its specialist, bite-sized product range. CuteCumbers are smaller and crunchier than mini cucumbers and even more appealing to kids and adults alike because of their small size. It is being portrayed as a healthy alternative snack over junk food and would be a part of a snack-sized vegetable pack called veggies-To-Go.

→ ***What it means?*** *Demand for snacks on the go is being met by smaller-sized vegetable products.*

School vending machines filled with local carrots – As part of the national campaign that packages and markets carrots like junk food, carrot-vending machines are being installed at high schools in Cincinnati and New York in the US. The campaign also includes an educational component – an entrepreneur class where students compete to sell the most carrots.

→ ***What it means?*** *An innovative way of getting more vegetables to children by using effective and popular methods of other food marketers.*

Biodegradable veggie tags – A new packaging with biodegradable tags for vegetables has been designed by a UK student. The vegetable label designs replace the plastic tags and elastic or wire ties with 100% biodegradable seed-embedded paper tags and recyclable natural cotton twine. This tag – which is also laser etched to eliminate the use of inks and dyes – can be thus planted and used to grow vegetables at homes.

→ ***What it means?*** *An innovative packaging that cuts waste and encourages people to do some gardening themselves.*

Convenience drives new product packaging – Potatoes with a microwave solution "Snelkokers" were introduced at the recently held Fruit Logistica in Berlin by Dutch potato packaging and marketing company Leo de Kock. Available in two varieties of baked potatoes and small round potatoes, the Snelkokers "fast cooking" are packed in bags with unique steam valve on the packaging that reduces their cooking time to just 8 and 9 minutes.

→ ***What it means?*** *A packaging innovation that suits lifestyle trends by adding convenience to a staple fresh product.*

"Get in shape" program focuses on good health – US Tanimura & Antle have launched a "Get in Shape" Artisan Lettuce 4-month promotion program by packaging the lettuce in seasonal packaging with a prominent health message and scannable QR (Quick Response) code. When scanned with a smart phone, the QR code on 4-count Artisan Lettuce clamshells gives shoppers immediate recipes and shopping lists. This promotional program also includes monthly e-newsletter that offers recipe ideas, exercise and diet tips and the opportunity to be entered in a draw to win "Healthy Lifestyle Packages".

→ ***What it means?*** *A mix of interactive social media and smart phone apps is viewed as more likely to drive in-store fresh produce sales by reaching and influencing today's consumers.*

Food sites and apps – Allrecipes.com launches online meal planner... All-recipes.com, a food and recipe site, is introducing an interactive Menu Planner, which helps cooks save time by allowing them to easily create, edit, and save meal plans from more than 13000 customisable menu ideas, including Allrecipes' recipe collection, pre-created menus, personal recipes and favourites saved in a personal Recipe Box. A special feature in this planner is a drag-and-drop functionality that functions like an app that helps mixing and matching meals to create a range of menu plans and generates shopping lists that are automatically populated from the menus.

... While other online food guides add more app features – Australian online restaurant guide and booking service Menulog has recently launched updated to their Android application that allows users to see all restaurants nearby using GPS, search for restaurants offering special deals like first order discounts and meal deals, search by restaurant names, and quickly lodge orders.

It is also relevant that this week in Australia it was announced that 80% of all new mobile phone sales are smart phones.

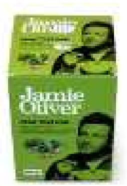
→ ***What it means?*** *Further leveraging by online food channels to capture tech-savvy generation though the expanding and new smart phone capabilities.*

FRUIT LOGISTICA Innovation Award 2011

The Fruit Logistica conference is recognised as one of the leading global events to showcase new products and their innovation award is deemed a reflection of the leading edge for fresh vegetables and fruit. Among the 10 finalists for the show, the **Limeburst Fingerlines** was recognised as the most innovative product, followed by **Jamie Oliver Grow Your Own Products** and then **Almond Mushrooms.**

Limeburst Fingerlines: are an unusual variety of Australian citrus, the size and shape of a finger (10cm-17cm in length), which retain their juice in caviar-like vesicles. Targeted chiefly at the high end restaurant and food service sector, they are now available in four different varieties – Limeburst Green, Limeburst Burgundy, Limeburst Pink and Limeburst Black, with fruit caviar which is opaque, deep red, pink and bright green, respectively.

Jamie Oliver Grow Your Own Products: The Jamie Oliver Grow Your Own series is a range of simple "grow your own" products in a packaging, containing a growing kit with seeds, growing material and pots, as well as tips and recipes from Jamie Oliver. The range includes herbs, cress, and brown mushrooms, which are selected, tested and approved by Jamie Oliver with his unique recipes for the series. All product packaging contains a QR code for smartphone scanning with a link to jamieoliver.com for further recipes, podcast downloads etc.



Almond Mushroom – a new mushroom variety with a distinctive almond/aniseed aroma which until now has only generally been available in dried form. It contains unusually high levels of natural antioxidants, minerals, essential amino acids, vitamins and fibres, and is low in calories.

This project has been funded by HAL using the National Vegetable Levy and matched funds from the Australian Government. It forms a part of the VIDP & aims to inform vegetable producers & supply chain stakeholders on market influences & developments in the past week. We recommend that those seeking to act on the basis of this information first obtain independent professional advice.

Category in profile: Sweet Corn

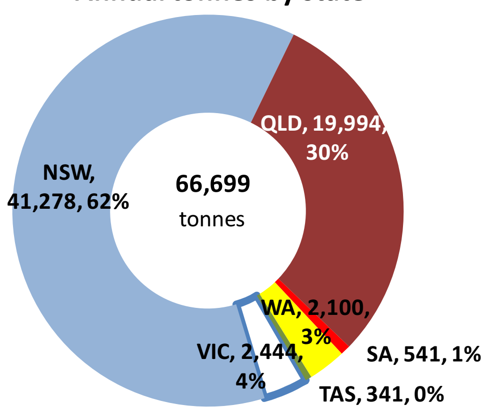
- NSW and Qld produce more than 90% of the national production.
- Sweet corn is available all year round and the main varieties grown are Golden Jubilee, Golden Sweet (super sweet) and Pearl (bicolour super sweet). Super sweet variety is estimated to make up 85%+ of fresh market sales, as is well received for its consistent yellow colouring.
- The processing sector uses locally and imported product and in 2009 was more than 17,000 tonnes of processed corn imported into Australia.
- Corn is a diverse product that is available to consumers in many forms including canned, frozen loose and cobs as well as fresh.

Key Facts

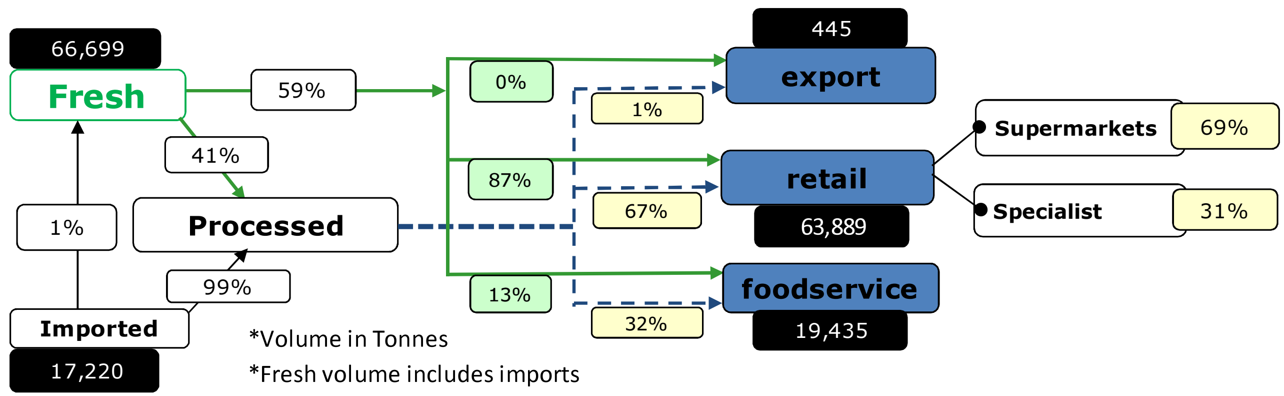
- In 2009/10 sweet corn production is estimated at 66,700 T
- Retail channel buys 63,889 T
- Foodservice channel buys 19,435 T
- The domestic retail market value of fresh sweet corn **$106,853m** and the average retail purchase is **$2.29**

Production

Annual tonnes by state



Volumes and shares through the chain



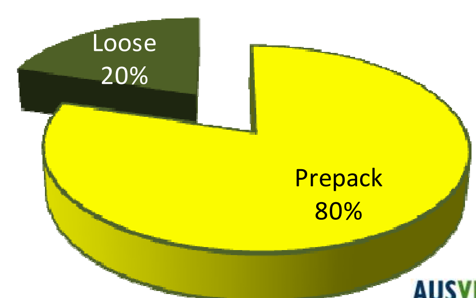
Growth drivers

- The innovation of partially preparing and prepacking corn cobs into prepacks has been a platform for maintaining fresh products sales. This addressed the negative of preparation, made visible some of the kernels, recued retail waste and brought consistency to retail pricing.
- Advancements in cultivation practices has given growers the ability to select a variety based on specific characteristics, this has permitted a more uniform crop based on its end use e.g. kernel depth for processing and colour/sweetness for fresh.
- Supersweets offer a longer harvest window of 5–12 days and a shelf life of 4–10 days, depending on growing and post-harvest handling. Corn is also a valued rotational crop and strong compliment to brassica production and the demand for the rotational compliment can impact supply volumes.

Retail fresh sweet corn sales

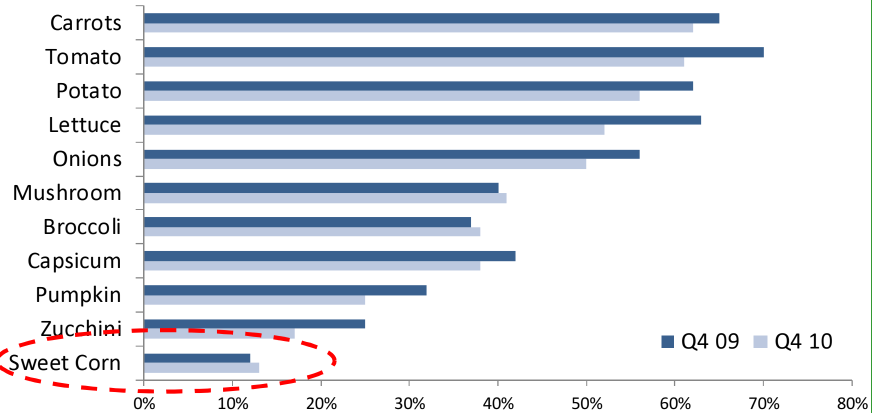
- Sales are dominated by prepack product with 80% of the volume and 84% of the value.
- The standard full cob accounts for 99% of the volume but only 92% of the sales value.
- The remainder of this value is made up of baby corn 7% and cobettes 1%.

Sweet Corn product
retail sales contribution

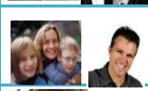
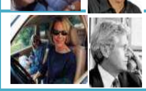


Consumer Penetration

Top 10 veg compared to Sweet Corn
proportion of households purchasing weekly



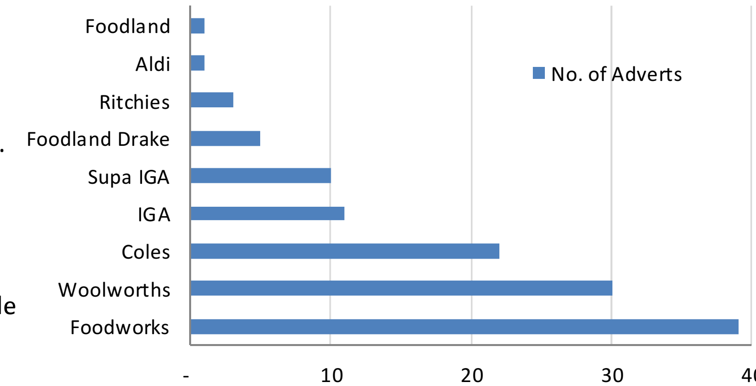
- Sweet corn is the **13th** most frequently purchased fresh vegetable based on weekly purchase patterns. The penetration of the top 10 vegetables in the chart above are provide for comparison.
- The total household penetration ranges from 12% to 17% over the year and has a mild peak in the warm summer months.
- The highest penetration by household segment was with Established (17%) and Budgeting families (16%).

Household segment		**Sweet corn household penetration over 12 months**
Singles & Couples with lower income		**10-14%**
Singles & Couples with higher income		**6-19%**
Budgeting families		**14-20%**
Established families		**14-17%**
MT Nesters		**9-15%**

- For the year level of promotional activity is reasonably consistent 2010 53% of the retail promotional activity was in autumn and winter and 47% in spring and summer.
- There was a total of 122 adverts and some level of retail promotion activity in 41 of the 52 weeks in calendar 2010.
- WW advertised a total of 22wks of the year, while FoodWorks advertised in 18wks and Coles 13 wks.
- Vic had the highest number of state based retail adverts with 25 (20%) while TAS had the lowest with 10 (8%).

Promotional Activity- 2010

Sweet corn activity- Adverts by Retailer



UK -US -Aust retail range profile

UK-US-Aust Retail Fresh Sweet Corn Range Profile

To draw valid comparisons this analysis has taken corn back to a per kg price and it should be remembered that most fresh corn sells by the piece or in prepacks of several pieces.

- **This analysis** has drawn on retail data gathered from Australian retail and UK & US on line sites. It is considered representative of the retail ranges in each market.
- All three markets offer loose product that is sold by the each. All markets also offer a prepacked fresh corn.
- There are less fresh corn products on offer in US & UK markets and that may be influenced by high numbers of frozen ready to eat cobb products in these markets.
- The adjacent chart does not show the highest priced product, which was a baby corn selling in the Australian market for over $30 kg

**A fuller description of these household segments can be viewed at www.ausveg.com.au*